

WOODBINE MUNICIPAL LIGHT & POWER

FINANCIAL STATEMENTS

JUNE 30, 2007

WOODBINE MUNICIPAL LIGHT & POWER
WOODBINE, IOWA
JUNE 30, 2007

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WOODBINE MUNICIPAL LIGHT & POWER

OFFICIALS

JUNE 30, 2007

<u>NAME OF OFFICIAL</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Donald Kenkel	Trustee - Chairman	2011
Charles H. Warner, Jr.	Trustee	2009
Duane Mann	Trustee	2007
Rory Weis	Superintendent	
Theresa Corrin	Office manager	

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited the accompanying financial statements of Woodbine Municipal Light & Power, a component unit of the City of Woodbine, Iowa, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Woodbine Municipal Light & Power's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1A, the financial statements present only the Woodbine Municipal Light and Power fund and do not purport to, and do not, present fairly the financial position of the City of Woodbine, Woodbine, Iowa, as of June 30, 2007 and 2006, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not required to be part of the basic financial statements, but is necessary to supplement the basic financial statements according to accounting principles generally accepted in the United States of America. Woodbine Municipal Light & Power has not presented Management's discussion and analysis in these financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodbine Municipal Light & Power as of June 30, 2007 and 2006, and the results of its operations, changes in net assets, and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

In accordance with *Government Auditing Standards*, I have also issued a report dated August 24, 2007, on my consideration of Woodbine Municipal Light & Power's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules on pages 17 through 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant

Omaha, Nebraska
August 24, 2007

WOODBINE MUNICIPAL LIGHT & POWER

STATEMENT OF NET ASSETS

JUNE 30, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 42,886	\$ 16,763
Receivables	129,687	129,866
Inventories	42,875	44,347
Certificate of deposit	63,213	100,000
Unbilled usage	29,755	29,238
Accrued interest receivable	6,444	11,370
Prepaid insurance	12,161	12,946
Total current assets	<u>327,021</u>	<u>344,530</u>
Noncurrent assets:		
Certificates of deposit	691,774	617,503
Customer deposits	8,823	9,485
Natural gas deposits	9,397	10,779
Total noncurrent assets	<u>709,994</u>	<u>637,767</u>
Capital assets	<u>828,169</u>	<u>870,804</u>
Total assets	<u><u>\$ 1,865,184</u></u>	<u><u>\$ 1,853,101</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable - trade	\$ 10,729	\$ 10,153
Accrued vacation and leave	28,959	23,358
Accrued interest payable	738	826
Current portion of bonds payable	35,000	30,000
Total current liabilities	<u>75,426</u>	<u>64,337</u>
Long-Term Liabilities:		
Natural gas and customer deposits payable	20,346	21,819
Bonds payable - long-term portion	195,000	235,000
Total liabilities	<u>290,772</u>	<u>321,156</u>
Net Assets:		
Investment in capital assets, net of related debt	598,169	605,804
Net assets - restricted	-	-
Net assets - unrestricted	<u>976,243</u>	<u>926,141</u>
Total liabilities and net assets	<u><u>\$ 1,865,184</u></u>	<u><u>\$ 1,853,101</u></u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Current use charges	\$ 887,972	\$ 838,959
Miscellaneous and rentals	777	1,605
Total operating revenues	<u>888,749</u>	<u>840,564</u>
Operating expenses:		
Cost of power	518,805	465,655
Distribution expenses	111,230	99,848
Accounting and collection	61,074	58,799
Administrative	172,115	169,965
Depreciation	42,635	43,384
Total operating expenses	<u>905,859</u>	<u>837,651</u>
Operating income (loss)	<u>(17,110)</u>	<u>2,913</u>
Non-operating revenues (expenses):		
Sales of materials and equipment	6,228	2,793
Interest income	40,590	30,345
Penalties and late fees	5,249	6,011
Miscellaneous income	1,723	125
Interest expense	(10,713)	(11,796)
Total non-operating revenues (expenses)	<u>43,077</u>	<u>27,478</u>
Changes in net assets before transfers	25,967	30,391
Transfers from City	<u>16,500</u>	<u>16,500</u>
Changes in net assets	42,467	46,891
Net assets, beginning of year	<u>1,531,945</u>	<u>1,485,054</u>
Net assets, end of year	<u><u>\$ 1,574,412</u></u>	<u><u>\$ 1,531,945</u></u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers	\$ 894,604	\$ 815,492
Cash payments to suppliers	(681,007)	(621,996)
Cash payments to employees	(175,344)	(169,276)
Other revenues	777	1,605
Net cash provided by operating activities	<u>39,030</u>	<u>25,825</u>
Cash flows from noncapital financing activities:		
Transfers from City	16,500	16,500
Non-operating revenues - net	13,200	8,929
Net cash provided from noncapital financing activities	<u>29,700</u>	<u>25,429</u>
Cash flows from capital and financing activities:		
Repayment of principal - bonds	(35,000)	(35,000)
Interest expense on debt	(10,713)	(11,796)
Net cash used by capital financing activities	<u>(45,713)</u>	<u>(46,796)</u>
Cash flows from investing activities:		
Purchases of investments and certificates of deposit	(724,567)	(552,944)
Proceeds from investments and certificates of deposit	687,083	511,094
Interest on investments	40,590	30,345
Net cash used by investing activities	<u>3,106</u>	<u>(11,505)</u>
Net decrease in cash	26,123	(7,047)
Cash, beginning of year	16,763	23,810
Cash, end of year	<u>\$ 42,886</u>	<u>\$ 16,763</u>

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (17,110)	\$ 2,913
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,635	43,384
Changes in assets and liabilities:		
Receivables	179	(21,335)
Accrued interest receivable	4,926	(6,224)
Inventories	1,472	(4,788)
Unbilled usage	(517)	3,974
Prepaid insurance	785	1,201
Deposits	2,044	118
Accounts payable	576	1,362
Accrued vacation and leave	5,425	4,424
Accrued interest payable	88	78
Customer deposits	(1,473)	718
Net cash provided by operating activities	<u>\$ 39,030</u>	<u>\$ 25,825</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 826,670	\$ 888,205	\$ 61,535
Other operating revenue	1,000	777	(223)
Total operating revenues	<u>827,670</u>	<u>888,982</u>	<u>61,312</u>
Operating expenses:			
Cost of power	480,000	518,229	38,229
Distribution expenses	128,878	109,758	(19,120)
Accounting & collections	71,713	61,074	(10,639)
Administration	196,329	167,202	(29,127)
Total operating expenses	<u>876,920</u>	<u>856,263</u>	<u>(20,657)</u>
Operating income (loss)	<u>(49,250)</u>	<u>32,719</u>	<u>81,969</u>
Non-operating revenues:			
Charges for services	17,000	16,500	(500)
Sale of materials	2,200	6,228	4,028
Penalties and late fees	6,000	6,972	972
Interest income	34,000	45,516	11,516
Interest expense	(9,950)	(10,801)	(851)
Total non-operating revenues	<u>49,250</u>	<u>64,415</u>	<u>15,165</u>
Net income	<u>\$ -</u>	<u>\$ 97,134</u>	<u>\$ 97,134</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2006		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 801,000	\$ 822,434	\$ 21,434
Other operating revenue	1,000	1,605	605
Total operating revenues	<u>802,000</u>	<u>824,039</u>	<u>22,039</u>
Operating expenses:			
Cost of power	471,600	464,293	(7,307)
Distribution expenses	111,620	104,636	(6,984)
Accounting & collections	71,293	58,799	(12,494)
Administration	180,835	164,184	(16,651)
Total operating expenses	<u>835,348</u>	<u>791,912</u>	<u>(43,436)</u>
Operating income (loss)	<u>(33,348)</u>	<u>32,127</u>	<u>65,475</u>
Non-operating revenues:			
Charges for services	17,000	16,500	(500)
Sale of materials	2,200	2,918	718
Penalties and late fees	5,000	6,011	1,011
Interest income	20,000	24,121	4,121
Interest expense	(10,852)	(11,874)	(1,022)
Total non-operating revenues	<u>33,348</u>	<u>37,676</u>	<u>4,328</u>
Net income	<u>\$ -</u>	<u>\$ 69,803</u>	<u>\$ 69,803</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. Summary of Significant Accounting Policies

Woodbine Municipal Light & Power has operated as an independent entity since 1941 and is governed by a Board of Trustees appointed by the Mayor of Woodbine, Iowa. It provides power and electricity to the Woodbine, Iowa and the surrounding community area.

A. Reporting Entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependence, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Woodbine Municipal Light & Power has been identified as a component unit of the City of Woodbine. Woodbine Municipal Light & Power provides billing and collection services for water, sewer, gas and landfill charges for the City of Woodbine. However, these amounts have been eliminated for financial statements purposes. These financial statements do not reflect any activity or transactions of the City of Woodbine and do not present consolidated information.

B. Fund Accounting

The Utility, for financial statement purposes, includes the funds and operations applicable to Electric and Power services only. All financial activity is accounted for in a single enterprise fund. The intent of the governing body is that all acquisitions, operations and maintenance of facilities and services to the general public on a continuing basis be financed or recovered primarily by user charges.

C. Measurement Focus and Basis of Accounting

Woodbine Municipal Light & Power maintains its accounting records on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Woodbine Municipal Light & Power applies all pronouncements of the Governmental Accounting Standards Board (GASB), as well as all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Operating revenues generally result from providing services and producing and delivering those services in connection with ongoing operations. Receipts and disbursements not meeting this definition are reported as non-operating income and expenses.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

At June 30, 2007 and 2006, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget. The budget of the Utility is submitted with that of the City of Woodbine following required public notice and hearing. Budgetary information is presented on the cash basis, which is in conformity with the budgetary requirements for the Code of Iowa.

E. Deposits and Certificates of Deposit

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates are covered entirely by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Accordingly, Woodbine Municipal Light and Power had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

F. Inventories

Inventories consist of materials and supplies, are recorded on the (FIFO) first in, first-out basis and are valued at the lower of cost or market.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Natural gas and customer deposit accounts are not considered cash equivalents.

H. Capital Assets

Capital assets consist of land, capital assets and accumulated depreciation. Woodbine Municipal Light & Power does not maintain a formal capitalization policy. Generally, costs for capital assets, new plant, distribution, or substation systems with estimated useful lives of five years or more are capitalized and depreciated over the estimated useful life. Repairs and replacements of existing systems and assets with estimated useful lives of less than five years are expensed as repairs and maintenance as incurred. Costs and accumulated depreciation on capital assets sold, retired or no longer in service are deducted from the respective asset and accumulated depreciation accounts, and any gain or loss is recognized at that time. Construction period interest, if any, is not capitalized.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007

1. Summary of Significant Accounting Policies - continued

I. Use of Estimates

The preparation of financial statements in conformity with accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Off Balance Sheet and Concentration of Credit Risk

The Utility's receivables are due from customers for Electric and Power charges for the City of Woodbine, Iowa and the surrounding community. None of the receivables are collateralized. The Utility's cash and investments are maintained currently in one local depository institution. To date, these concentrations of credit risk have not had an effect on the results of operations of the Utility.

K. Compensated Absences

Utility employees accumulate vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized and accrued when earned. Sick leave is also accumulated, but is not paid upon termination, retirement or death. Sick leave benefits are not accrued; however they are recognized when used and paid.

L. Reclassifications

Certain amounts in the June 30, 2006 financial statements have been reclassified to conform to the June 30, 2007 presentation. Such reclassifications had no effect on changes in net assets as previously reported.

2. Deposits and Investments

The Utility is authorized to invest public funds in interest bearing accounts at any bank, savings and loan association or credit union in the State of Iowa which is approved by the State Treasurer and properly declared as a depository by the Board of Trustees; obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved and secured pursuant to Chapter 453; Iowa Public Agency Investment Trust and certain other investments with prior approval by the Board of Trustees.

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates at June 30, 2007 and 2006 were entirely covered by federal depository insurance, or by State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007

3. Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method over the estimated economic useful lives of the respective assets.

<u>June 30, 2007</u>				
	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Retirements</u> <u>& Disposals</u>	<u>Balance</u> <u>06/30/07</u>
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	171,494	-	-	171,494
Distribution system	1,384,231	-	-	1,384,231
Equipment	234,779	-	-	234,779
Totals	<u>\$1,805,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,805,754</u>

<u>June 30, 2007</u>				
	<u>Balance</u> <u>06/30/06</u>	<u>Depreciation</u>	<u>Retirements</u> <u>& Disposals</u>	<u>Balance</u> <u>06/30/07</u>
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 126,009	\$ 1,836	\$ -	\$ 127,845
Distribution system	674,549	32,982	-	707,531
Equipment	134,392	7,817	-	142,209
Totals	<u>\$ 934,950</u>	<u>\$ 42,635</u>	<u>\$ -</u>	<u>\$ 977,585</u>

<u>June 30, 2006</u>				
	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Retirements</u> <u>& Disposals</u>	<u>Balance</u> <u>06/30/06</u>
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	171,494	-	-	171,494
Distribution system	1,384,231	-	-	1,384,231
Equipment	234,779	-	-	234,779
Totals	<u>\$1,805,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,805,754</u>

<u>June 30, 2006</u>				
	<u>Balance</u> <u>06/30/05</u>	<u>Depreciation</u>	<u>Retirements</u> <u>& Disposals</u>	<u>Balance</u> <u>06/30/06</u>
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 124,173	\$ 1,836	\$ -	\$ 126,009
Distribution system	641,441	33,108	-	674,549
Equipment	125,952	8,440	-	134,392
Totals	<u>\$ 891,566</u>	<u>\$ 43,384</u>	<u>\$ -</u>	<u>\$ 934,950</u>

Depreciation is provided on the straight line basis. Buildings, plant and distribution systems are depreciated over 40 years, whereas equipment is generally depreciated over 5 - 10 years.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007

4. Pension and Retirement Benefits

Woodbine Municipal Light & Power contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and Woodbine Municipal Light & Power is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. Woodbine Municipal Light & Power's required contribution to IPERS for the years ended June 30, 2007 and 2006 amounted to \$9,526 and \$9,189, respectively.

5. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, Woodbine Municipal Light & Power annually adopts a budget on the cash basis of accounting, following required public notice. Accordingly, budget to actual comparisons are presented on a "non-GAAP" budgetary basis in the accompanying financial statements. The adjustments necessary to reconcile the differences between the two accounting methods are as follows:

	<u>2007</u>	<u>2006</u>
Changes in net assets – budgetary basis	\$ 28,962	\$ 67,363
(Increase) decrease in:		
Accounts receivable	179	(21,335)
Inventory	1,472	(4,788)
Unbilled usage	(517)	3,974
Accrued interest receivable	4,926	(6,224)
Prepaid insurance	785	1,201
Customer deposits	2,044	118
Increase (decrease) in:		
Accounts payable	576	1,362
Accrued expenses	5,513	4,502
Customer deposits	(1,473)	718
Changes in net assets – accrual basis	<u>\$ 42,467</u>	<u>\$ 46,891</u>

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007

6. Bonds payable

Woodbine Municipal Light and Power issued electric revenue bonds on February 1, 2003 in the amount of \$360,000.00 in conjunction with the upgrade of a substation transformer. The rates of interest on the bonds ranged from 2.35% to 4.25% and interest is due semi-annually. The bonds are scheduled to mature on June 1, 2013. There were no additions for June 30, 2007 and 2006, respectively. Principal payments amounted to \$ 35,000 and \$ 35,000 for June 30, 2007 and 2006, respectively.

	Balance 06/30/06	Proceeds	Principal Paid	Balance 06/30/07
Electric revenue bonds	\$ 265,000	\$ -	\$ 35,000	\$ 230,000
	06/30/05	Proceeds	Paid	06/30/06
Electric revenue bonds	\$ 300,000	\$ -	\$ 35,000	\$ 265,000

Debt service requirements of the bonds payable are as follows:

	Rate	Principal	Interest
2008	3.30%	\$ 35,000	\$ 8,857
2009	3.55%	35,000	7,703
2010	3.75%	40,000	6,460
2011	4.00%	40,000	4,960
2012	4.15%	40,000	3,360
2013	4.25%	40,000	1,700
		<u>\$ 230,000</u>	<u>\$ 33,040</u>

7. Net Assets

Net assets generally consist of the following three categories:

Net assets invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation, reduced by related outstanding notes, bonds, or other debt.

Restricted net assets – are net assets which result when constraints or restrictions are placed on the use of net assets. The restrictions are generally imposed by external lending sources or by law.

Unrestricted net assets - are those assets not meeting the definition of the two preceding categories. Reservations of unrestricted net assets may be imposed by the management however; reservations do not restrict net assets in any manner.

8. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Woodbine Municipal Light & Power assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007

9. Joint Ventures

Woodbine Municipal Light & Power is a participant in the Missouri Basin Electric Cooperative Association (MBMECA), a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative (NIPCO). NIPCO constructed the power lines, and there are no dedicated lines, but rather there is an agreement which guarantees the Utility the right to draw power over the lines at a raw power cost without transmission charges. The Utility shares the joint venture with twelve other municipalities and the percentage of ownership varies from year to year. The Utility cannot recover any investment from MBMECA unless authorized by MBMECA, or if MBMECA ceases operations. In addition, the financial statements of the joint venture are kept on, and are audited on, a calendar year basis and, therefore, are not comparable to the Utility's June 30 fiscal year end. Accordingly, the investment in the joint venture is not reflected as an asset in these financial statements. Payments by the Utility to MBMECA amounted to \$54,648 and \$44,339 for the fiscal year ended June 30, 2007 and 2006, respectively.

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited the financial statements of Woodbine Municipal Light & Power, a component unit of the City of Woodbine, Woodbine, and Iowa, as of and for the year ended June 30, 2007, and have issued my report thereon dated August 24, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Woodbine Municipal Light & Power's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodbine Municipal Light & Power's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Woodbine Municipal Light & Power's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Woodbine Municipal Light & Power's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Woodbine Municipal Light & Power's financial statements that is more than inconsequential will not be prevented or detected by Woodbine Municipal Light & Power's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or by Woodbine Municipal Light & Power's internal control.

Internal Control Over Financial Reporting - continued

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the lack of segregation of duties is a material weakness, and therefore, prior year reportable conditions have not been considered as being resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodbine Municipal Light & Power's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Woodbine Municipal Light and Power's operations for the fiscal year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of Woodbine Municipal light and Power. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, Woodbine Iowa City Council and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me during the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you.



Certified Public Accountant

Omaha, Nebraska
August 24, 2007

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Distribution expenses:		
Wages	\$ 53,336	\$ 52,220
FICA	4,038	3,868
IPERS	3,007	2,834
Contract labor	787	-
Equipment	2,104	5,520
Insurance	19,757	17,648
Maintenance materials	18,022	9,079
Miscellaneous	740	436
Street lights	1,158	687
Supplies	276	657
Tool purchases	627	1,127
Training	1,676	1,577
Truck expenses	5,573	4,195
Uniforms	129	-
Total distribution expenses	<u>\$ 111,230</u>	<u>\$ 99,848</u>
Accounting & collection expenses:		
Wages	\$ 42,933	\$ 41,918
FICA	3,145	3,057
IPERS	2,364	2,298
Equipment	891	-
Insurance	8,134	7,811
Miscellaneous	471	647
Supplies	3,136	3,068
Total accounting & collection expenses	<u>\$ 61,074</u>	<u>\$ 58,799</u>

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES - CONTINUED
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Administrative expenses:		
Wages	\$ 75,475	\$ 71,538
FICA	5,802	5,673
IPERS	4,361	4,264
Advertising & legal publication	4,214	4,580
Assessments	1,634	1,266
Audit and accounting	4,250	4,250
Bad debt expense (recovery)	54	958
Community development & contributions	15,724	10,700
Contract labor	5,708	5,202
Dues	2,943	3,002
Equipment	6,885	4,984
Insurance	22,093	28,259
Legal & engineering	309	1,243
Maintenance materials	202	3,199
Meeting expenses	6,393	6,144
Miscellaneous	4,261	2,576
Postage	2,778	1,809
Supplies	1,419	508
Telephone	2,053	3,638
Training	-	498
Truck expenses	1,957	2,074
Trustee fees	3,600	3,600
Total administrative expenses	<u>\$ 172,115</u>	<u>\$ 169,965</u>

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Part I- Findings Related to the Financial Statements:

Reportable Conditions:

- (A) Segregation of Duties - An important aspect of any internal control structure is the segregation of duties among employees to prevent individual employees from handling tasks that are incompatible. I recognize that, because of limited staff, the Utility is not able to segregate all incompatible duties.

Recommendation – I reminded the Utility of the importance of obtaining the maximum segregation of duties and emphasized the need to make improvements to the control structure where feasible. Because of this weakness, I reminded the Utility of the importance of administrative review of financial transactions and reports.

Response – Management and the Board of Trustees are aware of the need to segregate incompatible duties where possible and of the need for administrative review. Management and the Board of Trustees will continue to make improvements where possible.

Conclusion - Response accepted.

Part II - Other Findings Related to Required Statutory Reporting:

The following comments about the Woodbine Municipal Light & Power's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of Woodbine Municipal Light & Power. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2007.
- (2) Certified Budget – For the year ended June 30, 2007, budgeted expenditures exceeded actual disbursements as required under Chapter 384.20 of the Code of Iowa.
- (3) Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expenses – I noted no disbursements of Utility money for travel expenses of spouses of Utility officials or employees.

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

- (5) Business Transactions - Business transactions noted between the Utility and Utility officials, related parties or employees were not material to the financial statements, appeared to be arms-length, properly approved, and in the normal course of business.
- (6) Bond Coverages - Surety bond coverage of the Utility's officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that I believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.
- (9) Revenue Bonds – I noted no violations or instances of noncompliance with the provisions of the revenue bonds payable.